How to Write an Incremental Funding Modification

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May 2004

Goals

- Understand the incremental funding mechanism on your contract
- Be able to prepare an incremental funding modification

Incremental funding and your contract

- “Limitation of Funds” clause (FAR 52.232-22)
  - Implemented by “Implementation of Limitation of Funds” or (old contracts) “Total Sum Allotted”
  - Cost-reimbursable contracts

- “Limitation of Government’s Obligation” clause (DFARS 252.232-7007)
  - Self-implementing
  - Fixed-price contracts

“(b) The Schedule specifies the amount presently available for payment by the Government and allotted to this contract, the items covered, the Government’s share of the cost if this is a cost-sharing contract, and the period of performance it is estimated the allotted amount will cover. The parties contemplate that **the Government will allot additional funds incrementally to the contract up to the full estimated cost** to the Government specified in the Schedule, exclusive of any fee. The Contractor agrees to perform, or have performed, work on the contract up to the point at which the total amount paid and payable by the Government under the contract approximates but does not exceed the total amount actually allotted by the Government to the contract.

(c) **The Contractor shall notify the Contracting Officer in writing** whenever it has reason to believe that the costs it expects to incur under this contract in the next 60 days, when added to all costs previously incurred, will exceed 75 percent of

(1) the total amount so far allotted to the contract by the Government or,

(2) if this is a cost-sharing contract, the amount then allotted to the contract by the Government plus the Contractor’s corresponding share.

B054 IMPLEMENTATION OF LIMITATION OF FUNDS (FEB 2003)

(a) The sum allotted to this contract and available for payment of costs under CLINs 0001 through 0003 through 31 MAY 2004 in accordance with the clause in Section I entitled "Limitation of Funds" is $15,000,000.00.

(b) In addition to the amount allotted under the "Limitation of Funds" clause, the additional amount of $750,000.00 is obligated for payment of fee for work completed under CLINs 0001 through 0003.

File Documentation

- (Tab 1) PR/MIPR
- (Tab 17) Notification from Contractor
- [(Tab 50) Acquisition Narrative, if needed]
- (Tab 55) Buyplan journal
- (Tab 57) DD Form 350
- (Tab 62) The modification
- (Tab 64) Checklist (from PKC)